

(2) A Series H bond issued upon exchange will be registered in the name of the owner of the securities submitted in any authorized form of registration. However, the *principal coowner* must be named as owner or coowner.

(3) The total current redemption value of the securities submitted for exchange in any one transaction must amount to \$500 or more. If the total current redemption value is in an even multiple of \$500, Series H bonds must be requested in that exact amount. If the total current redemption value exceeds \$500, but is not in an even multiple of \$500, the owner has the option of furnishing cash necessary to obtain Series H bonds of the next higher \$500 multiple, or of receiving payment of the difference between the total current redemption value and the next lower multiple of \$500. For example, under the rules prescribed in this circular, if the securities submitted for exchange in one transaction total \$4,253.33 current redemption value, the owner may elect to:

(i) Receive \$4,000 in Series H bonds and the amount of the difference, \$253.33, or

(ii) Pay the difference, \$246.67, necessary to obtain \$4,500 in Series H bonds.⁵

(4) Any amount paid to the owner as a cash adjustment (as in paragraph (3)(i) of this section) must be treated as income for Federal income tax purposes for the year in which it is received up to an amount not in excess of

owners or coowners in their own right. However, as agents of subscribers they may forward any exchange subscription to a Federal Reserve Bank or Branch or the Bureau of the Public Debt, Washington, DC 20226, for acceptance and handling.

⁵If a paying agent accepts a subscription solely for the purpose of forwarding it, or if the owner forwards it direct, to a Federal Reserve Bank or Branch or to the Bureau of the Public Debt, the remittance for the difference, by check or other form of exchange (which will be accepted subject to collection), must be drawn to the order of the Federal Reserve Bank or the United States Treasury, as the case may be. The remittance must accompany the subscription and the securities to be exchanged.

the total interest on the securities exchanged.⁶

(5) Each Series H bond issued under this section will be stamped "EX" or "EXCH" to show that it was issued upon exchange. Each bond also will bear a legend showing how much of its issue price represents interest on the securities exchanged. This interest must be treated as income for Federal income tax purposes for the year in which the Series H bond is redeemed, is disposed of, or finally matures, whichever is earlier.

(6) The Series H bonds will be dated as of the first day of the month in which the securities, the exchange subscription, any necessary cash difference and supporting evidence, if any, are accepted for exchange by an authorized agency.

§ 339.4 Exchanges without tax deferral.

Exchanges by owners who:

(a) Report the interest on all of their securities annually for Federal income tax purposes, or

(b) Who elect to report all such interest in the year of the exchange, or

(c) Who are tax-exempt under the provisions of the Internal Revenue Code of 1954 and the regulations issued thereunder,

Will be handled in the same manner and will be governed by the rules prescribed for exchanges under § 339.3. However, the Series H bonds will not bear the legend referred to in § 339.3(b)(5). Any part of the cash adjustment received which represents interest previously reported for Federal income tax purposes need not be accounted for. The Series H bonds may be registered in the name of the owner of the securities submitted in exchange in any authorized form of registration.

§ 339.5 Governing regulations.

All Series H bonds issued under this circular are subject to the regulations, now or hereafter prescribed, contained in Department Circular No. 530, current revision (part 315 of this chapter).

⁶The amount, if any, paid to the owner in excess of the interest is a repayment on account of the purchase price of the securities exchanged, not income.